

## Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 OES-03 FS-01 ABF-01 AGR-05 CIAE-00

COME-00 DODE-00 DOTE-00 EB-07 EPA-01 HEW-02 HUD-01

INR-07 INT-05 LOC-01 NASA-01 NSAE-00 NSF-01 OMB-01

SMI-01 TRSE-00 SS-15 SP-02 L-03 /069 W

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R 221445Z JAN 76

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 9411

C O N F I D E N T I A L SECTION 1 OF 3 CAIRO 0859

E.O. 11652: GDS

TAGS: TGEN, OSCI, EG

SUBJECT: MANAGEMENT OF SPECIAL FOREIGN CURRENCY PROGRAM FOR EGYPT

REF: (A) 75 CAIRO 12526, (B) 75 CAIRO 11672, (C) 75 CAIRO 10991

1. SUMMARY. EMBASSY HAS BEEN ENCOUNTERING INCREASING EXPRESSION OF GOE CONCERNS ABOUT MANNER IN WHICH SFCP IS BEING CARRIED OUT. VALUE OF PROGRAM IS NOT AT ISSUE, BUT RATHER QUESTIONS RELATING TO ORIGIN AND RELEVANCE OF PROJECTS, OVER-RELIANCE ON SELECTED RESEARCHERS, EXCESSIVE SALARIES AND ALLOWANCES, AND SIMILAR PROBLEMS. WHETHER OR NOT JUSTIFIED, THESE EGYPTIAN CONCERNS MUST BE TAKEN INTO ACCOUNT, AND GREATER EFFORT MADE TO DEMONSTRATE THAT EFFECTIVE STEPS BEING TAKEN BY US AGENCIES TO MONITOR PROGRAM, REMEDY SHORTCOMINGS, AND ENSURE THAT PROJECTS ARE OF MUTUAL NATIONAL BENEFIT. OTHERWISE WE CAN EXPECT NEW EGYPTIAN ATTEMPTS TO REGULATE PROGRAM, PROBABLY NOT UNLIKE THE COMPLICATIONS MET IN OTHER SFCP COUNTRIES. EMBASSY OFFERS SET OF RECOMMENDATIONS TO DEAL WITH PROBLEMS AND ALSO, IN FACE OF RECENT RAPID EXPANSION OF PROGRAM, BELIEVES IT IMPORTANT THAT CEILING ON ANNUAL FUNDING FOR NEW PROJECTS BE REESTABLISHED. END SUMMARY

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2. REFTELS DESCRIBE EMBASSY EFFORTS TO DEAL WITH THE

GROWING GOE -- OR AT LEAST MFA -- MISGIVINGS ABOUT MANAGEMENT OF SFCP. THE LIKELIHOOD OF THIS TYPE OF GOE REACTION, ONCE IT FOCUSED ON THE PROGRAM, WAS SUGGESTED ALMOST TWO YEARS AGO, WHEN MFA BEGAN TO EXPRESS ITS CONCERNS ABOUT UNCOORDINATED ACTIVITIES (CAIRO 910, FEBRUARY 26, 1974). NO ONE HAS SERIOUSLY QUESTIONED VALUE OF THE PROGRAM AS A WHOLE, BUT RATHER WHAT SOME EGYPTIANS REGARD AS THE SEEMINGLY RANDOM WAY IN WHICH IT IS BEING OPERATED. IF WE UNDERSTAND STATE 272544 CORRECTLY, THE EMERGING EGYPTIAN QUESTIONS ARE NOT INCONSISTENT WITH THOSE RAISED EARLIER IN OTHER SFCP COUNTRIES. IN EGYPT, ONE OF THE LAST REMAINING COUNTRIES WHERE WE STILL HAVE CONSIDERABLE PL-480 CURRENCY HOLDINGS TO CONDUCT USEFUL RESEARCH, IT BEHOOVES US TO LOOK CLOSELY AT THE SHORTCOMINGS THE MFA HAS IDENTIFIED. IN DOING SO, WE MAKE NO CASE FOR THE CORRECTNESS OF THE MFA'S CONCERNS, BUT THE FACT REMAINS THAT IF WE WANT THE PROGRAM TO CONTINUE TO OPERATE EFFECTIVELY, WE MUST TAKE THEM INTO ACCOUNT. COMMENTS BELOW ARE INTENDED TO SET FORTH PRINCIPAL EGYPTIAN CONCERNS, PLUS OTHERS WE SEE AS POTENTIAL PROBLEMS, AND TO SUGGEST POSSIBLE WAYS OF HELPING RESOLVE THEM:

(A) ORIGIN AND RELEVANCE OF PROJECTS. GOE -- AS REFLECTED BY MFA QUESTIONS -- FINDS IT HARD TO GRASP HOW PROJECTS ORIGINATE, AND THE PRINCIPLES UNDERLYING PROJECT SELECTION BY THE VARIOUS US AGENCIES. WE HAVE EXPLAINED PROCEDURES, BUT HAVE NOT ALLAYED CONCERN OVER THE SEEMINGLY HAPHAZARD AND UNCONTROLLED NATURE OF PROJECT ORIGATION. EGYPTIANS ALSO SEE MINIMAL RELEVANCE OF MANY OF OUR RESEARCH PROJECTS TO THEIR NATIONAL DEVELOPMENT GOALS, AND HAVE RAISED QUESTIONS OF WHETHER EGYPT BENEFITS FROM THESE PROJECTS OR WHETHER THEY HAVE ANY RELATIONSHIP TO NATIONAL PRIORITIES. REGRETTABLY RESULTS OF SOME PROJECTS THAT MIGHT BEAR PARTICULARLY ON EGYPTIAN NATIONAL GOALS OFTEN RECEIVE LITTLE IF ANY DISTRIBUTION IN EGYPT ITSELF TO CONCERNED MINISTRIES AND REMAIN IN THE PRIVATE CLUTCH OF EGYPTIAN RESEARCHERS. WE COULD TAKE POSITION THIS IS MATTER FOR GOE TO REGULATE, BUT THAT IS HARDLY A SATISFACTORY ANSWER TO CRITICS OF THE PROGRAM. NOR WOULD IT BE PRODUCTIVE TO TRY TO

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PLACE VERY MUCH WEIGHT ON ARGUMENTS, WITH RESPECT TO GENERAL QUESTION OF RELATIONSHIPS OF PROJECTS TO EGYPTIAN NATIONAL PRIORITIES, THAT AFTER ALL FUNDS INVOLVED ARE US-OWNED. FACT IS THAT EGYPTIANS BELIEVE OUR LOCAL CURRENCY BANK ACCOUNTS HAVE NOTHING IN THEM AND CALLS FOR FUNDS MUST ALWAYS BE MET BY MINISTRY OF FINANCE. AS SUMS DEDICATED TO SFCP HAVE MOUNTED, GOE HAS HAD TO DIP MORE FREQUENTLY INTO ITS POCKET AND NOT UNNATURALLY RAISES QUESTION

OF WHAT, IF ANY, MUTUALITY OF BENEFIT COMES FROM MAKING  
NEEDED FUNDS AVAILABLE. WE MAY HAVE CREATED SOME OF  
OUR OWN PROBLEMS IN THIS RESPECT. FOR EXAMPLE, AUC  
PROJECT ON "ROLE OF SOCIAL AND ECONOMIC SECURITY IN FAMILY  
AND COMMUNITY LIFE" WAS RECENTLY ENLARGED TO FOUR YEAR  
EFFORT FUNDED AT ALMOST \$500,000. WE MAY BE MISSING  
SOMETHING, BUT IT IS HARD TO SEE HOW GOE -- LET ALONE  
USG -- STANDS TO BENEFIT THAT MUCH FROM THIS PARTICULAR  
RESEARCH PROJECT. UNFORTUNATELY, EVEN A VERY FEW SUCH  
SELECTIONS, ESPECIALLY OF THAT MAGNITUDE, AND WITHOUT  
MUCH EFFORT TO EXPLAIN WHY THEY SHOULD BE CONSIDERED  
IMPORTANT, WEAKEN OUR ABILITY TO MAKE FORTHRIGHT CASE  
FOR NON-INTERFERENCE WITH SFCP MANAGEMENT.

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FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 9412

C O N F I D E N T I A L SECTION 2 OF 3 CAIRO 0859

(B) SAME RESEARCHER. WE ARE ACCUSED OF USING THE SAME  
RESEARCHER TOO OFTEN WHICH (A) SOME SEE AS SUBSIDIZING  
SELECTED INDIVIDUALS AND (B) OTHERS WORRY DIVERTS THEM  
FROM PROJECTS OF MORE DIRECT AND IMMEDIATE BENEFIT TO  
EGYPT. THE FIRST CHARGE, THOUGH NATUAL, HAS NO SUBSTANCE.  
THE SECOND MAY HAVE SOME SUBSTANCE ALTHOUGH WE  
OBVIOUSLY HAVE NO WAY OF KNOWING WHAT, IF ANY, PRIORITY  
EGYPTIAN PROJECTS RESEARCHERS MAY HAVE TURNED DOWN  
BECAUSE OF INVOLVEMENT IN US PROJECTS. DR. HOMMOSSANI  
(WITH FULLTIME POSITION OF UNDERSECRETARY OF SOCIAL AFFAIRS  
MINISTRY) IS PRIME EXAMPLE OF INVOLVEMENT IN MULTIPLE

PROJECTS, BEING LISTED AS PRINCIPAL INVESTIGATOR OR DIRECTOR OF AT LEAST TWN DHEW PROJECTS OVER PAST SEVERAL YEARS, NOT COUNTING SEVERAL MORE NOW IN PROCESS. BUT HE IS BY NO MEANS ONLY CASE IN WHICH ONE RESEARCHER HAS MAJOR ROLE IN TWO OR MORE PROJECTS. NO ONE QUESTIONS THEIR COMPETENCE, BUT RATHER HOW ANY INDIVIDUAL, NO MATTER HOW TALENTED AND ENERGETIC, CAN EFFECTIVELY PARTICIPATE IN NUMBER OF PROJECTS. ARGUMENT THAT INVOLVEMENT OF SUCH INDIVIDUALS IS ESSENTIAL FOR ALL RELATED PROJECTS SEEMS TO US TO BEG QUESTION. WE HAVE, OF COURSE, BEEN LIMITED IN OUR SPECTRUM OF RESEARCHERS FOR VERY UNDERSTANDABLE REASONS, BUT WE WILL HAVE TO TAKE STEPS TO EXPLORE THE POSSIBILITIES OF BROADENING THAT SPECTRUM. AMBASSADOR INTENDS TO TASK NEWLY ASSIGNED

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SCIENCE OFFICER, ONCE HE ARRIVES LATER THIS MONTH, TO PREPARE STUDY ON PROSPECTS OF SUCH BROADENING.

(C) SALARIES AND OTHER COSTS. WE HAVE HAD NUMBER OF COMPLAINTS THAT STIPENDS WE PAY TO EGYPTIAN SFCP RESEARCHERS ARE TOTALLY OUT OF LINE WITH LOCAL SALARY SCALES AND THAT SOME RESEARCHERS HAVE ACQUIRED CONSIDERABLE, UNTAXED WEALTH THROUGH OUR REIMBURSEMENT SCALE. THERE IS ADDED CHARGE THAT SOME (AND WHEN THERE IS ONE SUCH CASE, EGYPTIANS SUSPECT MANY) SPEND MORE FOR TRAVEL AND PER DIEM THAN FOR ACTUAL RESEARCH SUBJECT ITSELF. HOMMOSSANI IS AGAIN PRIME CASE FOR FIRST CHARGE ALTHOUGH WE CANNOT DETERMINE FROM PROJECT BUDGET FIGURES AVAILABLE HERE PRECISELY HOW MUCH HE PERSONALLY HAS RECEIVED. GRANTED, HE PRESUMABLY FARMS OUT SOME OF THE VARIOUS RESEARCH PROJECTS ENTRUSTED TO HIM, BUT GIVEN HIS LIFESTYLE COMPARED TO GOE UNDERSECRETARY'S SALARY, WE DO NOT DOUBT THAT HE HAS PERSONALLY BENEFITTED CONSIDERABLY FROM THIS PROGRAM. BRINGING STIPENDS MORE INTO LINE WITH LOCAL SALARY SCALES MAY NOT BE EASY BECAUSE EGYPTIAN BENEFICIARIES OF OUR SFCP PROGRAM HAVE BECOME ACCUSTOMED TO HIGHER LEVELS AND SOME MAY REFUSE TO ACCEPT PROJECTS UNLESS FINANCIAL BENEFIT IS OBVIOUS. USDA OFFICIALS HAVE RECENTLY ENCOUNTERED REFUSALS BY SEVERAL EGYPTIAN RESEARCHERS TO CONSIDER PROJECTS WHERE STIPENDS LIMITED TO 25 PERCENT DIFFERENTIAL. ONOTHER HAND, AS NOTED CAIRO 761, ONE PRINCIPAL INVESTIGATOR HAS JUST SUGGESTED LOWERINGHIS PROPOSED STIPEND TO LEVEL MORE APPROPRIATE TO LOCAL SCALES. WE MAY NOT ENCOUNTER MANY MORE LIKE HIM, BUT THE PRINCIPLE SHOULD BE ESTABLISHED. EMBASSY IS PREPARED TO ADVISE ABOUT LOCAL SALARY LEVELS, AND FULLY SUPPORT DEPT'S PLANS TO INVENTORY CURRENT USG AGENCY PRACTICES ON OVERHEAD AND SALARY DIFFERENTIAL PAYMENTS. (STATE 11202) WE BELIEVE SUCH INVENTORY SHOULD INCLUDE NOT ONLY PRINCIPAL INVESTIGATORS BUT ALL PERSONNEL, SINCE DIVERGENCIES EXIST AT

ALL LEVELS. INVENTORY SHOULD ALSO ENCOMPASS FULL RANGE OF BUDGETED ITEMS, SUCH AS TRAVEL COSTS (BOTH AMERICAN AND EGYPTIAN), SCIENTIFIC EQUIPMENT, AND VEHICLES. OBJECTIVE SHOULD BE TO DEMONSTRATE NEED, CONSISTENCY, AND SERIOUSNESS OF PURPOSE.

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(D) DUPLICATION. IT IS OF COURSE STANDARD PRACTICE FOR THOSE SEEKING SUPPORT TO MAKE SIMILAR REQUESTS TO EVERY POTENTIAL SOURCE OF FUNDS. THERE IS THUS POTENTIAL PROBLEM OF TWO US AGENCIES SEPARATELY CONSIDERING RELATED PROPOSALS, WITHOUT KNOWING ABOUT OTHER'S INTEREST, OR OF POSSIBLE DUPLICATION WITH PROJECTS OF UNDP OR OTHER UN AGENCIES. SO FAR AS WE KNOW, NO SERIOUS DIFFICULTIES HAVE YET ARISEN THROUGH INADVERTENCE, BUT CONTINUED CARE IS OBVIOUSLY REQUIRED.

(E) RESEARCH VS. ASSISTANCE. FOR SOME SFCP PROJECTS, SUCH AS IN REHABILITATION AND SOCIAL SERVICES FIELD, WE ARE SKIRTING (IF INDEED LINE HAS NOT ALREADY BEEN CROSSED) BORDER SEPARATING RESEARCH FROM TECHNICAL ASSISTANCE AND TRAINING. WE BELIEVE IT IMPORTANT THAT WE NOT CONTRIBUTE TO ANY CONFUSION OF THE TWO IN GOE THINKING. ONE MAJOR PROBLEM WE SEE IS THE DIFFICULTY OF APPLYING THE SFCP REQUIREMENT THAT PROJECTS BENEFIT US TO PROGRAMS OF TECHNICAL ASSISTANCE AND TRAINING. EVEN THEN, THE CASE PRESUMABLY MUST REST ON THE EFFECTIVENESS OF SUCH ASSISTANCE; ANY SIGNIFICANT IMPACT FROM TECHNICAL ASSISTANCE AND TRAINING DEMANDS CONSIDERABLE PRIOR ANALYSIS AND ASSESSMENT OF PROBLEMS AND NEEDS, NOT NORMALLY UNDERTAKEN TO JUSTIFY SFCP RESEARCH PROGRAMS. US SIDE SHOULD ALSO BE PARTICULARLY CAREFUL THAT SFCP PROJECTS NOT INVOLVE PAYMENTS TO GOE PERSONNEL TO CARRY OUT ACTIVITIES WHICH THEY OUGHT TO BE DOING AS NORMAL PART OF THE OPERATIONAL RESPONSIBILITIES OF THEIR AGENCIES.

(F) EXPANSION OF SFCP PROGRAM. OVERALL SIZE OF PROGRAM HAS INCREASED RAPIDLY IN PAST SEVERAL YEARS. EMBASSY HAD CONCURRED SEVERAL MONTHS AGO WITH LIFTING PREVIOUS FISCAL CONSTRAINTS FOR SFCP IN EGYPT, BASED ON EXPECTATION THAT PROGRAM WOULD NOT GROW TOO FAST, AND THAT DEVELOPMENT OF PROGRAM WOULD BE CARRIED OUT IN CLOSE COORDINATION WITH DEPT AND EMBASSY. AT THIS POINT, HOWEVER, EMBASSY IS UNCERTAIN ABOUT TOTAL SIZE EXPECTED FOR PROGRAM EVEN FOR FY 76, LET ALONE WHAT PROJECTIONS MAY BE FOR NEXT YEAR AND BEYOND. PROBLEM RELATES NOT ONLY TO

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AGR-05 CIAE-00 COME-00 DODE-00 DOTE-00 EB-07 EPA-01

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NSF-01 OMB-01 SMI-01 TRSE-00 /069 W

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FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 9413

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POSSIBLE SHORTFALLS IN PROPOSED AGENCY PROGRAMS, BUT MORE IMPORTANTLY TO FACT THAT STATISTICS SENT TO US REFER TO NEW PROJECTS WITHOUT REFERENCE TO MULTIYEAR PROJECTS APPROVED IN PREVIOUS YEARS. FOR EXAMPLE, WE HAVE JSST RECEIVED DEPT'S A-7668 SHOWING ESTIMATED MULTIYEAR FUNDING OF \$7,623,033 FOR DHEW/PHS PROPOSED SFCP PROJECTS FOR FY76. THIS ESTIMATE, WHICH IS FAR BEYOND PHS FUNDING IN PREVIOUS YEARS AND IS ALSO BEYOND PROPOSED FUNDING THIS YEAR FOR ALL OTHER AGENCIES COMBINED, IS SOME INDICATION OF DEGREE OF EXPANSION NOW UNDERWAY. FACT THAT IT DOES NOT INCLUDE CURRENT PHS PROJECTS FUNDED EARLIER MAKES IT DIFFICULT TO GAUGE TOTAL EFFORT UNDERWAY. IN ANY EVENT, RAPIDLY MOUNTING COSTS OF SFCP PROJECTS WILL GENERATE THAT MUCH MORE ATTENTION TO PROGRAM BY EGYPTISN, ESPECIALLY THOSE WHO THINK THE FUNDING INCREASES REPRESENT ENLARGED DEMANDS ON THE FINANCE MINISTRY FOR PAYMENT.

3. AS DEPT AWARE, EGYPTIANS HAVE BEEN CONSIDERING PLACING CONTROL OF SFCP PROGRAM IN MINISTRY OF PLANNING. THIS COULD BE THE MOST STULTIFYING THING THAT COULD HAPPEN TO IT. HOPEFULLY, AMBASSADOR'S STRONG REPRESENTATIONS TO MINSTATE MOHAMED RIAD (REFTEL A) WILL CAUSE RECONSIDERATION OF THIS IDEA. IT IS NEVERTHELESS INCUMBENT UPON US -- AND ALL INTERESTED US AGENCIES SHOULD UNDERSTAND THIS -- TO PUT MORE

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ORDER INTO THE PROGRAM TO REMEDY THE DEFICIENCIES WHICH THE EGYPTIANS SEE IN IT, AND TO MAKE AN EFFORT TO SHOW THAT PROJECTS ARE OF MUTUAL NATIONAL BENEFIT AND WORTHWHILE. FAILURE TO DO SO WILL INEVITABLY LEAD TO NEW EGYPTIAN ATTEMPTS TO REGULATE WHAT THEY REGARD AS A HAPHAZARD OPERATION. WITH MORE CARE AND EFFORT, WE MAY YET AVOID IN EGYPT MANY OF THE COMPLICATIONS ENCOUNTERED IN OTHER COUNTRIES IN WORKING OUT MUTUALLY AGREEABLE ARRANGEMENTS.

4. EMBASSY RECOMMENDATIONS.

A. AMBASSADOR RECOMMENDED TWO YEARS AGO (CAIRO 910, FEBRUARY 26, 1974) THAT A SCREENING AND COORDINATING MECHANISM BE WORKED OUT BY THE DEPT WITH CONCERNED USG AGENCIES TO DETERMINE PRIORITIES AND TO ASSURE THAT PROSPECTIVE PROJECTS FIT INTO POLICY GUIDELINES. THERE IS STILL NEED FOR MUCH CLOSER SCRUTINY OF ALL PROPOSED SFCP PROJECTS FOR EGYPT, INCLUDING FULL RANGE OF BUDGET ITEMS. WE THEREFORE SUGGEST THAT THE PRESENT SFCP INTERAGENCY GROUP, OR A SPECIAL INTERAGENCY COMMITTEE UNDER THE DEPT'S DIRECTION, FOCUS ATTENTION ON THE CONCERNS SET FORTH ABOVE, ACTIVELY VET ALL PROPOSED PROJECTS, AND COMPILE AND MAINTAIN CURRENT INFORMATION ON TOPICS, RESEARCHERS, AND INSTITUTIONS FOR READY REFERENCE BY ALL AGENCIES AND EMBASSY.

B. TO FOLLOW UP 75 CAIRO 13157, THAT PROJECTS OF NON-SCIENTIFIC/TECNICAL NATURE BE ADDITIONALLY SCREENED THROUGH DEPT'S RESEARCH COUNCIL MACHINERY WHENEVER IN DEPT'S OR EMBASSY'S JUDGMENT LOCAL REASONS WOULD SO WARRANT.

C. THAT ALL PROSPECTIVE PROJECTS BE CHECKED OUT WITH THE EMBASSY AT EARLIEST POSSIBLE STAGE AND CERTAINLY BEFORE ANY COMMITMENT OF US SUPPORT IS GIVEN OR IMPLIED TO EGYPTIAN RESEARCHERS. EMBASSY WOULD REVIEW FOR POSSIBLE POLITICAL IMPACT AND WHETHER PROPOSED BUDGET IS COMPATIBLE WITH LOCAL STANRARDS, BUT NOT FOR TECHNICAL MERIT.

D. THAT THE CONCERNED US AGENCY FURNISH DEPT AND EMBASSY, FOR EACH PROSPECTIVE PROJECT, WITH A DESCRIPTION OF THE RELEVANCE AND IMPORTANCE OF THE RESEARCH TOPIC, FOR USE IN EXPLAINING ITS SELECTION TO THE  
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GOE IF WARRANTED. AMBASSADOR HAD ASKED FOR THIS ALMOST TWO YEARS AGO.

E. THAT US SIDE ARRANGE TO DISTRIBUTE COPIES OF REPORTS ON RESEARCH RESULTS (INCLUDING INTERIM REPORT ON WORK

IN PROGRESS) TO APPROPRIATE GOE AGENCIES AND EXPERTS, AND NOT SIMPLY RELY ON EGYPTIAN RESEARCHERS TO HANDLE.

F. THAT US AGENCIES CONSIDER CAREFULLY, WHEN PROJECTS ARE NOT WHOLLY RESEARCH-ORIENTED, WHETHER THEY CAN JUSTIFY TECHNICAL ASSISTANCE AND TRAINING UNDER THEIR TERMS OF REFERENCE AND, IF SO, THAT THEY UNDERTAKE ANALYSIS AND EVALUATION SUFFICIENT TO ASSURE MEANINGFUL IMPACT.

G. THAT DEPT COMPILE, WITH HELP OF ALL CONCERNED AGENCIES, PERIODIC LISTING OF ALL CURRENT AND PROJECTED SFCP ACTIVITIES IN EGYPT, INCLUDING FUNDING, IN ORDER TO HAVE AVAILABLE CLEAR AND UP-TO-DATE PICTURE OF PRESENT AND PROJECTED SCOPE OF OVERALL PROGRAM.

5. FINALLY, IN VIEW GROWING EGYPTIAN CONCERNS, AMBASSADOR BELIEVES WE SHOULD RECONSIDER LIFTING OF ALL CONSTRAINTS ON SFCP IN EGYPT (75 STATE 182628; 75 CAIRO 7778). WHEN EMBASSY CONCURRED IN PROPOSAL TO LIFT CONSTRAINTS, EGYPTIANS HAD NOT YET FOCUSSED ON PROGRAM. NOW THEY HAVE AND ARE DISSATISFIED WITH VARIOUS ELEMENTS OF IT. WE ARE SIMPLY INVITING AGGRAVATION OF PROBLEM BY LIFTING OF ALL CONSTRAINTS AND, GIVEN OTHER MORE PRESSING ASPECTS OF OUR BILATERAL RELATIONS, SFCP PROGRAM IS NOT AN ISSUE THAT SHOULD BE ALLOWED BECOME A MAJOR SUBJECT OF CONTROVERSY. FOR FORESEEABLE FUTURE I BELIEVE WE SHOULD CONTINUE TO LIMIT NEW ANNUAL PROJECTS TO CEILING OF EQUIVALENT OF \$5 MILLION IN EGYPTIAN POUNDS. THIS SHOULD POSE NO PROBLEM SINCE, TO BEST OUR KNOWLEDGE, WE DID NOT REACH PREVIOUSLY-SET \$5 MILLION CEILING IN PAST FISCAL YEAR. WE WOULD ALSO FORESEE NO SERIOUS DIFFICULTY, SHOULD REQUIREMENTS ARISE FOR ADDITIONAL SFCP SUPPORT OF ACTIVITIES UNDER JOINT WORKING GROUPS, IN THEN WORKING OUT ANY SUCH PROBLEM.

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## Message Attributes

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